

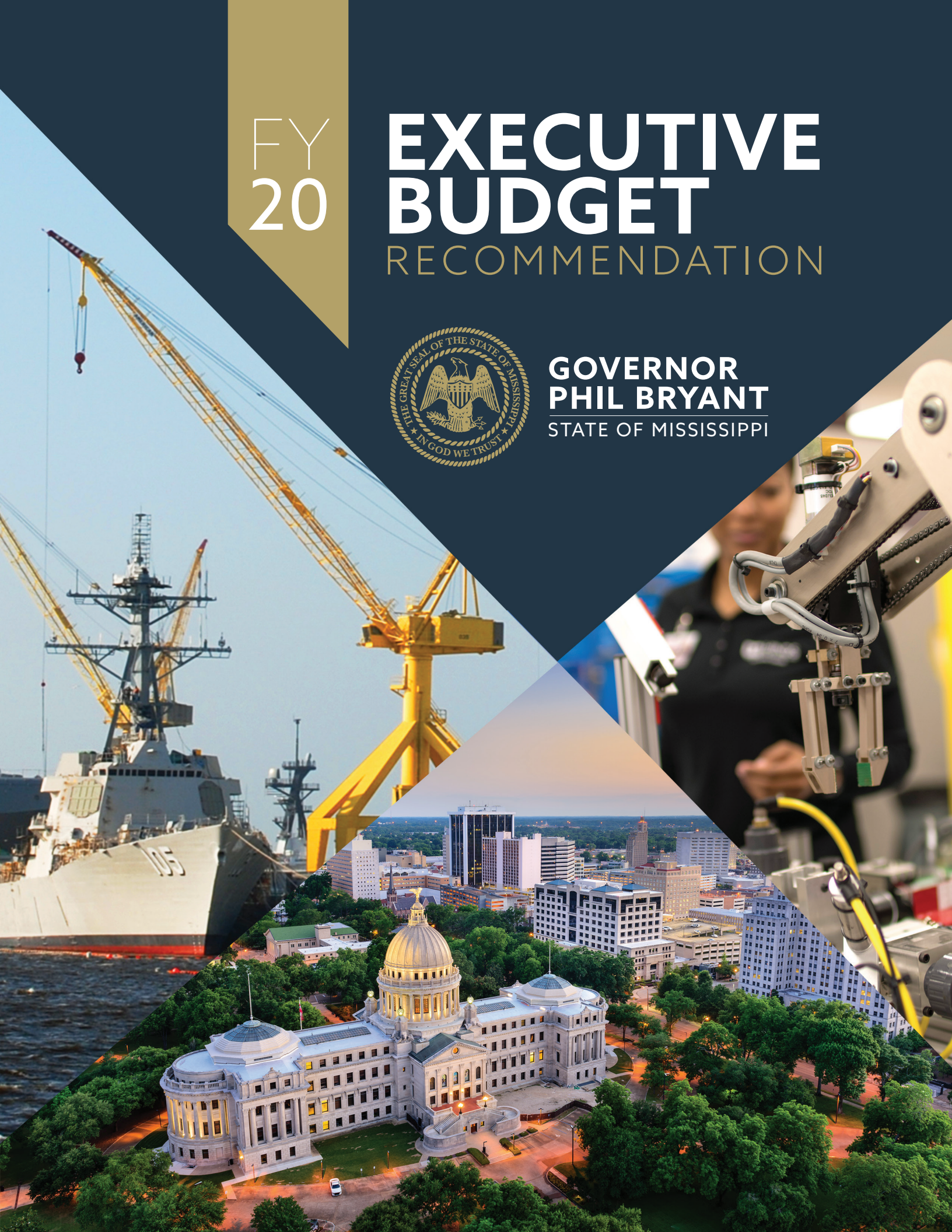
FY  
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# EXECUTIVE BUDGET

## RECOMMENDATION



**GOVERNOR  
PHIL BRYANT**  
STATE OF MISSISSIPPI



Mississippi's revenue continues to grow as a result of conservative policy-making. This year, revenue is projected to increase by 2.6 percent, and we have record amounts in the state's cash reserves. Because of this growth, in Fiscal Year 2020, I recommend to the Legislature that it cut no agency's budget and that we make investments in agencies and programs that will lead to long-term prosperity in Mississippi.

The first and most important step to take in budgeting for the future is saving. Setting aside 2 percent of the estimated revenue is not only smart financial practice, but it helps the state's credit rating. When I entered office in January 2012, the Working Cash Stabilization Reserve Fund, better known as the Rainy Day Fund, had a balance of only \$148 million. In this year of growth, my recommendation sets aside \$116 million, of which nearly half would go to the Rainy Day Fund, bringing our savings account to over \$400 million. This fiscal responsibility should be maintained until we reach the statutory limit of the Rainy Day Fund, which is 10 percent of the state's general fund revenue.

This savings would not have been possible without the Financial and Operational Responses That Invigorate Future Years (FORTIFY) Act passed during the 2017 special legislative session. Without the FORTIFY Act, \$55.4 million would have carried over into FY 2019, as beginning cash, and spent, instead of being deposited into Mississippi's reserve accounts at the end of FY 2018. It is remarkable the state finished FY 2018 with a nearly \$124 million surplus, and placed \$118.3 million of that amount into reserve accounts.

This year we must spend \$75 million of our additional revenue on the Public Employee Retirement System (PERS). Although the PERS board raised the rate despite some opposition, the state's funding of that increase remains vital for the health of the pension system, the economic security of our state employees, and the credit rating of the State of Mississippi. I also ask that \$3.5 million be spent towards the Mississippi Highway Safety Patrol's separate retirement system.

Teachers are the men and women who are educating tomorrow's leaders, and they deserve to be better compensated. In this budget, I recommend a \$50 million pay raise for our state's public school teachers phased in over two years. This will be the second pay raise in five years. Legislative leadership continues to advocate for our teachers, and I look forward to working with the Legislature on this new plan.

The state's correctional officers lag \$4,000 in pay behind the regional average, making it difficult to recruit and retain personnel in our correctional facilities. For that reason I recommend just over \$7 million for the Department of Corrections to bring its employees' salaries in line with our neighboring states. This increase will ultimately make our state's prisons safer for employees, offenders, and the communities where they are located.

I am also proposing that \$1 million go to the Department of Corrections for workforce training programs for those who are incarcerated. Among the best ways to ensure that offenders do not return to prison is to make sure they have the ability to get a job when they leave. Additionally, I recommend that \$6 million go to the first phase of repairing Unit 29 at the Mississippi State Penitentiary, the facility for close custody offenders.

We have the important responsibility to take care of the children in our state's custody. I am asking the Legislature to fund the Mississippi Department of Child Protection Services \$26 million above last year's allocation to provide the necessary resources for these vulnerable children to bring the state in compliance with the court-ordered staffing and technical needs. Of this expenditure, \$400,000 is for retaining social work students who have a desire to go into public service. A stipend will be created for eligible undergraduate and graduate students interested in a career at the MDCPS.

In another effort to retain our best and brightest students, I am proposing an \$8.5 million increase for the Institutions of Higher Learning's Student Financial Aid program. When students stay in state for school, they are more likely to take on a career in the state. To fund the future of Mississippi we must commit these additional resources.

We also strive to retain our state's physicians in Mississippi. The Rural Physician Scholarship Program is one that allows our doctors who want to live and work in rural areas an incentive to do so. I ask that the Legislature allocate \$600,000 to fund and grow the scholarship to cover the rising costs of medical school as well as recruit more students to enroll in the program.

To keep the motoring public safe on our highways, it is important that we fund a trooper school. With nearly one-third of Mississippi Highway Safety Patrolmen eligible to retire today, this \$7 million expenditure is critical. Furthermore, I ask the Legislature devote almost \$1.5 million to the State Crime Lab's Medical Examiner. Currently there are two doctors who conduct over 1,500 autopsies per year, including over 300 homicides that must be investigated. Adding medical examiners will increase the pace of investigations and help bring closure to families who want to know what happened to their loved ones.

I have proposed spending over \$1 million at the Department of Health for disease prevention. With the transmission of syphilis on the rise nationally and Hepatitis A breaking out locally, I am charging the Department of Health to immediately expand efforts to find, treat, and prevent the spread of disease in Mississippi.

A topic that we often do not discuss except in times of tragedy is mental health. To bring this topic into the mainstream and to help those struggling with mental illness, I am asking the Legislature to allocate an additional \$1 million to the Department of Mental Health for community-based services. These services will allow those with certain mental disorders to remain in the community through mobile treatment.

This past August, I called a special session of the Mississippi Legislature to address our state's infrastructure needs. In a strong display of bipartisanship, legislators were able address these needs in a comprehensive manner. During these historic five days, the Legislature passed legislation to infuse over \$1 billion into infrastructure over five years without raising taxes by using revenues from a newly-created state lottery, internet sales, sports betting, and revenue bonds. Legislation was also enacted to justly divide the BP economic damages between the lower six counties and the remainder of the state.

It has been a historic year in Mississippi, and the future looks bright. What we have accomplished economically is a success, and economic development, job growth, and revenue have all taken a step in the right direction. This Executive Budget Recommendation highlights the needs in our state to keep our citizens and our communities both safe and prosperous. It will enhance our educational institutions, continue to reform our corrections and criminal justice systems, and increase the protection of our foster children. Now is the time to work together and ensure these recommendations are properly implemented.

Sincerely,

A handwritten signature in black ink, reading "Phil Bryant". The signature is fluid and cursive, with the first name "Phil" and last name "Bryant" clearly distinguishable.

Phil Bryant  
GOVERNOR

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# ENSURING STRONG FISCAL MANAGEMENT AND BUDGETARY PERFORMANCE

As Moody's stated in its U.S. States Rating Methodology, "Unlike economic factors, which are largely beyond the states' control, financial results are the product of many decisions and practices determined by State policymakers. While tax collections and expenditures reflect fiscal capacity, and they ebb and flow with economic cycles, the financial choices states make given the economic situations they face — at any point in the economic cycle — are critical."

Challenging times offer a particularly strong temptation to make bad financial choices: assuming unrealistic future revenue growth, underfunding major line items deliberately, and spending one-time money on recurring expenses. While these practices are politically convenient, they are harmful to taxpayers and to the state. This budget is balanced and reflects my commitment to honest budgeting, based on real numbers and financial best practices.

## Present and Future Savings

Saving for the present and future remains a high priority of this administration, and the state finished FY 2018 strong allowing a substantial deposit to be made into Mississippi's reserve accounts. Due to good stewardship and spending prudently, in October of 2018 the state transferred more than \$59 million to the Working Cash Stabilization Reserve Fund, more commonly known as the Rainy Day Fund, and another \$59 million to the Capital Expense Fund, bringing the Rainy Day Fund balance to approximately \$350 million. This would not have been possible without the Financial and Operational Responses That Invigorate Future Years (FORTIFY) Act passed during the 2017 special session.

In addition to FY 2018 finishing strong, FY 2019 is off to a good start, resulting in a recommendation by the revenue estimating group to raise the FY 2019 revenue estimate to \$5.758 billion, leaving a surplus of \$102.2 million available for FY 2020. Although the Joint Legislative Budget Committee (JLBC) and I elected to not revise the FY 2019 estimate, I agree with the revenue estimating group's FY

2019 recommendation and believe that the additional funds should not be appropriated but put into reserves. By law, any excess cash from the close out of FY 2019 would be directed to the Rainy Day Fund and Capital Expense Fund. The Rainy Day Fund balance will be just over \$400 million after the transfer. Additionally, this EBR recommends spending only 98 percent of estimated revenue in FY 2020, which leaves \$116 million available for the end of year distribution. After \$750,000 is transferred to the Municipal Aid Fund, \$57.6 million will be transferred to both the Capital Expense Fund and Rainy Day Fund. The Rainy Day Fund balance for FY 2021 will be approximately \$458 million.

## Expenditures

This FY 2020 Executive Budget Recommendation level funds most agencies and spends zero dollars from the Rainy Day Fund. Furthermore, it spends no one-time money on recurring expenditures. This budget includes the following increases:

- \$50 million for a teacher pay raise phased in over two years
- \$75 million for Mississippi's Public Employees' Retirement System (PERS)
- \$26.15 million for Child Protection Services to protect and care for our most vulnerable children
- \$17 million for staffing needs, workforce training, and building repairs for the Mississippi Department of Corrections
- \$179,100 to create a Certificate in Public Financial Management and Governmental Accounting at the Patterson School of Accountancy at the University of Mississippi
- \$8.5 million to provide Student Financial Aid to Mississippi students
- \$600,000 to provide for Rural Physicians Scholarships
- \$1.2 million for the Department of Health to aid in disease prevention
- \$1 million for the Department of Mental Health for community-based services
- \$10.5 million for the Department of Public Safety to put on a trooper school and fund the Mississippi Highway Safety Patrol pension fund
- \$1.49 million for additional medical examiners at the State Crime Lab

## FY 2020 Revenue Estimate

This budget utilizes the General Fund revenue estimate of \$5.802 billion.

The Revenue Estimating Committee forecasts 2.6 percent growth over the FY 2019 estimate.

## Adhering to the 98 Percent Rule

Mississippi Code Ann. Section 27-103-139 requires that the Legislature budgets no more than 98 percent of the revenue the state expects to collect. By abiding by the 98 percent rule, this budget sets aside \$116 million for distribution at the end of the year, keeping us in a responsible financial position.

## Mississippi's Credit Rating

The State of Mississippi was on negative outlook by two of the three credit rating agencies this time last year. Mississippi was only on stable outlook by Fitch Ratings. I am happy to report that Moody's Investor Services and Standard and Poor's (S&P) both revised the state's credit rating outlook from negative to stable. This change was made because of the state's proactive approach to fiscal policy, but there is still work remaining. The three credit rating agencies currently rate Mississippi at AA, Aa2, and AA (Fitch Ratings, Moody's Investor Services, and S&P, respectively). Because the state's credit in the open market remains positive, there is never a shortage of interested buyers of municipal debt.

What the Credit Rating Agencies are saying about Mississippi's Financial Management:

### S&P

*"Mississippi is achieving strong financial performance through its practice of only budgeting 99% of revenue in 2018 and 98% in 2019."*

*"We consider Mississippi's financial management practices strong under its Financial Management Assessment methodology, indicating our view that practices are well embedded and likely sustainable."*

*"Mississippi creates its multiyear budgeting and cash flow projections through the annual budget process, addressing both the current and subsequent budget year."*

*"In our opinion, Mississippi has historically followed strong budget management practices. We consider the executive branch and budget office to have broad powers to adjust appropriations."*

*"We believe management's demonstrated ability to self-correct when funded ratios decline improves our view of the state's overall pension funding discipline."*

### Moody's

*"While the suspension of the set-aside highlights some weakness in governance and put pressure on the state's reserves, it simultaneously facilitated management of the state's immediate fiscal challenges."*

*"The fiscal conservatism has helped the state weather its revenue difficulties, which have since moderately eased. Starting in fiscal 2018, the legislature reinstated the rule: first with a set-aside of 1% (\$56 million) last year and now with an expected full 2% in fiscal 2019 (\$113 million). In part, the reinstatement of the rule was driven by a policy decision "to prioritize fiscal prudence over expenditure growth, as total appropriations in fiscal 2019 are lower than the prior year."*

### Fitch

*"The 'AA' GO bond rating and IDR reflect Mississippi's (the state) strong control over spending and revenues and generally conservative financial practices, providing significant financial resilience."*

*"Strong control over spending and maintenance of reserves provide the state with ample capacity to address a moderate downturn scenario."*

*"Mississippi has a strong framework to address a moderate downturn scenario."*

Mississippi's budget process features strong safeguards that contribute greatly to the state's sound financial controls including:

- Monthly investment meetings between the Treasurer and state Fiscal Officer
- Proactive budget management (Governor has power to cut budgets and control spending)
- Multi-level controls at the state and agency level

## Avoiding the Use of One-Time Money for Recurring Expenses

Using one-time money for recurring expenses is a practice that is convenient but harmful to taxpayers and the state as a whole. Consistent with this administration's previous executive budget recommendations, this one minimizes the spending of one-time money on recurring expenses. Services and programs the state must pay for every fiscal year should be funded by revenue streams that are available every fiscal year.

This is another metric credit rating agencies take into account when they formulate the state's credit score.

## Need for Public Accounting

For the past couple of years, the Department of Finance and Administration (DFA) has been penalized in the state's audit of the Comprehensive Annual Financial Report (CAFR) because many agencies lack qualified financial personnel, causing too much of a dependency on DFA. The State of Mississippi, through the Department of Finance and Administration (DFA), will collaborate with the University of Mississippi's Patterson School of Accounting to offer a Certificate in Public Financial Management and Governmental Accounting (CPFMGA). This CPFMGA program is designed for government finance personnel on the city, county, and state level seeking to increase their knowledge in financial management and public finance. This certificate program will focus on the analytical and strategic thinking skills needed to succeed as a finance director or chief financial officer.

The classes will be taught by public finance staff at DFA along with world class professors at the UM's Patterson School of Accounting, which is included among the top 10 accounting programs in the nation in the Public Accounting Report. The Patterson School of Accounting faculty has a great track record preparing students for the CPA exam and to work in top accounting firms throughout the nation. I would like that same effort to be made to prepare current state finance employees to be leaders in government agencies at all levels.

The new certificate program will offer the following classes:

- Budget Process & Operating Budgets

- Bond Funds & Debt Management
- Governmental Financial Statements & Accounting
- Risk Management & Procurement
- State & Local Taxation
- Cost Analysis

These six courses consist of 96 program hours and 12 days of instruction to earn the certificate. After successfully completing the certificate program, state employees will be eligible for an educational benchmark up to 4 percent. For this program I recommend that the state allocate \$179,100.

## INVESTING IN THE SUCCESS OF OUR CITIZENS

One of this administration's primary goals is to make sure that every Mississippian can have a good job. When I entered office in January 2012, unemployment was greater than 9 percent. In those first days, I told my staff that it was a priority for that number to fall to 7 percent within a year, and it did.

This year Mississippi's unemployment rate hit a historical low of 4.5 percent. With more than \$6.6 billion in private capital investment infused into the state and an increase in 77,000 jobs since 2012, our citizens are able to obtain meaningful careers. And for those who are still looking, there are more than 50,000 open jobs listed on the Mississippi Works website and app.

As more Mississippians find employment and as companies continue to seek employees, we need to continue to connect our citizens with jobs and training opportunities. Part of this will be through programming in areas where we have not put enough effort into training workers.

The best way to reduce recidivism in our prisons is to help men and women exiting the system find employment. Through specific job training in these facilities, we can reduce our prison population as well as prepare a workforce. Additionally, we must do more for our veterans transitioning back to civilian life. For Mississippi to

continue to be successful in the 21st century, it is critical that we harness the talent, drive, and leadership of those who have served in our nation's military. As veterans return home, we must focus on programs that ensure a smooth transition into the workforce. The men and women that have served in the military are some of the most highly skilled workers that we have.

### **Coordinating Workforce Efforts in Mississippi**

According to a Georgetown University study, there are over 30 million "good jobs" in the United States today that do not require a Bachelor's degree. These jobs pay an average of \$55,000 annually and require a high school diploma plus some additional training. The report states that Mississippi is second in the nation in the share of these good jobs. This study confirms that our state has the environment for helping meet the needs of business and industry. There are many jobs in our economy for workers who have graduated from high school and completed some post-secondary education or training. With our rising high school graduation rates, we are working to connect this skilled workforce to the over 50,000 open jobs right now.

Another recent study found that there are over 125 workforce training programs across Mississippi outside the community college system. These programs all have different funding sources and sometimes little oversight as to the outcomes of the investment. The State Workforce Investment Board has developed a strategic plan to integrate all the workforce development programs and align these resources to maximize efficiencies and costs. The Mississippi Community College Board, in consultation with other Mississippi workforce and economic development entities, is developing a continuous improvement plan of the statewide workforce investment system. This coordinated effort will help prepare, connect, and sustain the workforce of the future and avoid duplication of spending and services. I will support legislation that expands apprenticeships, dual enrollment for high school students, work based learning courses, and career technical education.

### **Reducing the Dropout Rate**

Graduation rates are higher than they've ever been through the help of programs like Jobs for America's Graduates

(JAG) and affiliates like Jobs for Mississippi Graduates. JAG's national success rate, defined as high school graduates who either continue their education, find a job, or both, is 95 percent. These students are considered the most at risk and yet maintain a graduate rate higher than the state average. We raise and spend approximately \$1 million of privately donated funds each year for JAG, a number that is not reflected in the total amount of education spending. The Legislature currently funds Jobs for Mississippi Graduates at \$800,000, and this budget asks for an additional \$400,000 to bring the state's commitment to \$1.2 million.

Because of that proven success with students who would likely drop out, I ask the Legislature to continue to approve funding for JAG originally earmarked for other dropout-prevention programs. These funds would be matched by private donations, doubling available resources for a program with a long track record of reaching our most disadvantaged high school students. The state, though, must fund this successful program at its full commitment to continue to see the program's remarkable successes.

### **Supporting Our Good Teachers**

As we make serious efforts to improve our children's opportunities and futures, we must address the front line of our educational system – our teachers. Mississippi is fourth in the nation in number of National Board Certified Teachers, and this number continues to grow. It is good teachers who guide our schoolchildren, and it is good teachers who can help make the biggest strides toward success.

Every school deserves effective teachers. Retaining and attracting high-quality teachers is vital to good educational outcomes. The gains we have seen with our fourth grade reading scores and eighth grade math scores are largely due to the dedication of these hard-working teachers. I support ongoing funding of the National Board Certified Teacher program along with a teacher pay raise in the upcoming legislative session.

The education of our children is a critical function of government. While an artificial and arbitrary formula suggests where we should spend our education dollars, too many of these dollars are wasted in administrative offices

rather than spent in classrooms where they can directly impact our youth.

In an effort to get our tax dollars into our classrooms and to appropriately compensate our hard-working teachers, this budget devotes \$25 million for salary increases for our public school educators in FY 2020 and strongly encourages the Legislature to fund at least \$25 million for teachers in FY 2021. These men and women are the keys in developing our children into the future leaders of Mississippi that will continue to move the state forward, and I look forward to working with the Legislature on a plan that better compensates our teachers for their work.

### **Student Financial Aid**

State student financial aid plays a vital role in helping students achieve their educational goals here in Mississippi. Unfortunately, limited resources have caused decreases in financial aid affecting students' access to postsecondary education and students' decisions to attend a school in the state. I am recommending an additional \$8.5 million for the Mississippi Office of Student Financial Aid to help students with their higher education ambitions. This \$8.5 million will help restore some of the funding gaps and allow our best and brightest students eligible to receive multiple grants to once again stack these awards. Furthermore, providing these additional funds will help students on a career pathway to achieve their job placement aspirations of the future.

### **Early Childhood Education**

Every fiscal year, \$87 million in federal money funds daycare in Mississippi, while almost \$200 million in federal funds are spent on Head Start. Like the private donations that support Jobs for America's Graduates, those totals are not included in total education spending. Under the leadership and guidance of the State Early Childhood Advisory Council (SECAC), Mississippi is leading the nation with the Family-Based Unified and Integrated Early Childhood system. This system connects early care and learning, health, and family engagement for young children in child care centers. According to the U.S. Census, there are more than 230,000 children ages 0-5 in Mississippi, and over 70 percent of these children are in private child care across the state. SECAC has developed

and approved a strategic plan to design and implement a family-based unified and integrated early childhood system to ensure consistency in program quality and expand family choice. The core of the plan is to place low income families on a path to self-sufficiency through work training programs and job placement while providing high quality child care for the young children.

Fifteen Early Childhood Academies are located at the community colleges and others at the Families First Centers across the state. The coaches from these locations work with local child care providers to prepare children for kindergarten. Simultaneously, parents of these young children are linked to job training and services. This innovative system received national attention during a recent visit from United States Department of Labor Women's Division and Ms. Ivanka Trump. They wanted to learn more about how we are aligning services for children ages 0-5 with the K-3 system and how this can be replicated on a national level.

## **ENSURING CHILD AND PUBLIC SAFETY**

The first and foremost responsibility of government is to protect and defend the public. As governor, I take seriously the duty to protect the people of Mississippi, especially our most vulnerable, and my budget reflects that commitment.

### **Supporting the Mississippi Department of Child Protection Services**

We must do all we can to protect our most vulnerable Mississippians – our children, particularly those that do not have a stable family. We devote considerable resources to protect our foster children, and it is money well-spent. Since we created the Department of Child Protection Services, we have dramatically improved the lives of the children in the state's care, and we will continue to do so.

This year the Department of Child Protection Services is requesting an additional \$26.15 million in state support, and I recommend the state fully-fund the agency's request. The agency operates with a fragile IT system that will

eventually collapse. It is devoting resources to stabilizing the current Mississippi Automated Child Welfare Information System (MACWIS) and developing the IT system demanded by the court in *Olivia Y*. This new computer system must be installed by June 30, 2021.

Caseloads are a key requirement of the *Olivia Y* lawsuit. To lower caseloads we need more social workers and supervisors, and this budget increase will allow CPS to hire 108 additional caseworkers and 34 supervisors. Because there is a constant need at the agency for good social workers I am recommending \$400,000 of that funding be used to create a program that prepares social work students in Mississippi for public child welfare practice. This program will provide stipends to undergraduate and graduates students enrolled in eligible Bachelor of Social Work (BSW) and Master of Social Work (MSW) degree programs who are interested in employment with the Mississippi Department of Child Protection Services.

A “win” in foster care for the state is to prevent situations requiring foster care. Towards that end, if children can safely stay at home with their parents, we should work daily towards that goal. Congress has passed the Family First Act allowing Mississippi to draw down federal dollars for prevention. I am asking the Legislature to appropriate this funding to prepare for the implementation of the act. Let us strengthen families and prevent children from becoming wards of the state.

### **Making our Correctional Facilities Safe**

The Legislature has made great strides in reforming and updating our criminal justice and correctional systems over the past few years; however, there is room for improvement. A critical change that we can make starts with the staffing of our correctional facilities. Currently, Mississippi correctional officer salaries lag \$4,000 behind the southeastern region. Without adequate pay, MDOC struggles to fill nearly 500 security staffing vacancies statewide. Due to these vacancies, the work for our correctional officers becomes more dangerous, some officers may feel more likely to become compromised, and other employees may find work elsewhere. For these reasons, I ask that the Legislature allocate \$7,107,163 to bring the salary for our current correctional officers in line with the regional average and \$3 million to hire new officers,

program coordinators, and case managers to begin to address the massive staffing shortage our prisons face.

Furthermore, many of our prisons are in dire need of repair. Unit 29 at the Mississippi State Penitentiary, which houses many of the state’s close custody inmates, will require over \$22.3 million in repair and maintenance, not including temporary housing costs resulting from inmate movement during repairs. For that project, this budget proposes an additional \$6 million be distributed to MDOC for the first phase of that building project.

Finally, the best way to keep someone from returning to prison is making sure that he or she has the ability to get a job. We should prepare the men and women in our state’s correctional facilities for the next chapter of their lives after prison. By spending \$1 million on workforce training at the Department of Corrections, the state will be able to offer offenders Forklift and OSHA 10 training, as well as Commercial Driver License training. These men and women will walk out of prison with an in-demand skill, allowing them to gain employment and reducing the rate with which offenders return to our correctional facilities.

### **Supporting our Law Enforcement Officers**

This budget calls for an expenditure of \$7 million for the Mississippi Department of Public Safety for a trooper school. Having troopers on the highway keeps our citizens safe, and the department must have new recruits, given that 160 of our 489, or nearly one-third, troopers are eligible to retire today.

In this year where we are able to increase budgets rather than cut, we must add to the funding of the State Medical Examiner at the State Crime Lab. The National Association of Medical Examiners recommends a maximum of 250 autopsies per year per physician in an effort to help doctors cope with the stresses associated with the position, prevent burnout, and decrease the likelihood of error. However, because the Department of Public Safety only has only two medical examiners, they must perform more than a combined 1,500 autopsies per year. With this type of volume, grieving families and victims of crimes are not getting the forensic analysis that they deserve or closure they need. Because both of these medical examiners must also testify in court as to what they find in their analysis—

taking them out of the lab—the crime lab becomes backed up as new cases arrive in the facility. The state must fund the State Medical Examiner at \$2,697,399 in order to process these autopsies and help get many of these cases resolved.

The Mississippi Highway Safety Patrol Retirement System board increased the employer contribution rate from 37 percent to 49.05 percent. Therefore, I ask that the Legislature appropriate \$3.5 million to follow the increase in the employer contribution rate for these brave men and women. With the Mississippi Highway Safety Patrol putting themselves in harm's way each and every day for the people of Mississippi, we must fund their retirement system as thanks for their service.

## State Pensions

The largest single funding increase in my EBR is approximately \$75 million for the state retirement system. Pension systems all over the nation are failing because state and local governments are dismissing the severity of unfunded pension liabilities. Adequately funding the state's retirement system is a priority of mine, and the credit rating agencies are watching closely to see the state's response to its proportional contribution. After changing the state's outlook from negative to stable, S&P explained that:

*"we believe that measures taken to address the state's pension liability help mitigate our previous concerns about a declining pension-funded ratio and pension contribution rates...we believe these recent pension reforms position the state to be able to afford its \$3.1 billion liability and thus contribute to rating stability."*

The decision by the PERS board to increase the employer contribution rate from 15.75 percent to 17.40 percent was necessary to keep the system healthy (total system membership approximately 325,000). Mississippi has some of the best retirement benefits in the nation, and it is the Legislature's job to make sure that the system is funded and remains strong.

# HEALTH IN MISSISSIPPI

## Improving Medicaid Spending

Three years ago, the Division of Medicaid spent over \$1 billion in state support funds. After that, I noted in a budget recommendation that the State of Mississippi could not afford a Medicaid program that cost state taxpayers over \$1 billion a year while failing to produce positive outcomes. I called for a more responsible spending approach, and the Division of Medicaid and the Legislature have heeded that call.

Last year, state support spending dropped to \$935 million. Today, the Division of Medicaid is operating with a direct state support budget of \$917 million and does not expect to ask for a deficit appropriation during the legislative session for the first time in years. The financial condition of the Medicaid program has improved dramatically. This turnaround can be credited in large part to an improving economy and to a renewed commitment to prudent spending.

This year, the Division of Medicaid has eliminated non-critical contracts, budgeted more precisely, provided more rigorous oversight over managed care, and aggressively sought to rein in excesses and waste identified in the program. The Legislature enacted one of the most fiscally responsible medical technical amendments bills in recent memory, resisting the pressure to add many more mandatory expenses to the program. These cost-containment efforts – at the legislative and executive level – have been smart, not severe. Fees paid to many providers have increased. Eligibility policies have not changed. Benefits have not been reduced.

Reducing spending in the Medicaid program can free up resources for other core functions of government such as public education and public safety. But we also must maintain enough funding to ensure access to care for our most vulnerable citizens who comprise the Medicaid program – poor children, the elderly, and the disabled – and to support the providers who take care of them. This budget recommends level funding for the Division of Medicaid. Over the next year, the Division of Medicaid will be focused on improving the overall health of the

Medicaid population, reducing administrative burden for providers, increasing program transparency, and offering more value to taxpayers.

This recommendation of level funding assumes that no additional spending mandates will be added by the Legislature in general legislation or through conditions in the Medicaid appropriation bill.

### Rural Physician Scholarships

In 2007, the Legislature created the very successful Mississippi Rural Physicians Scholarship Program. The program covers medical school tuition for students preparing to practice in rural communities in Mississippi. Tuition from 2007 to present averaged \$30,000 per student. The cost of medical school has risen. I request an additional \$300,000 to allow the scholarship to become \$35,000 per student per year. This allows the program to continue to offer a full scholarship to those deserving students who plan to serve in rural areas. I am also asking the Legislature to appropriate an additional \$300,000 to allow this program to competitively recruit students and provide additional resources to students in their journey to become physicians. Money spent on this program today means access to care in rural areas for years to come.

### Department of Health Disease Prevention

Preventing disease not only means improving the health of our population, but also reducing healthcare costs. That is why I am recommending \$1 million be spent for disease prevention at the Department of Health.

Mississippi has made strides in reducing the high numbers of sexually transmitted diseases (STD) in the state, but there is still more to be done. With an increase in syphilis at the national and state level, I am recommending further funding for STD case finding, contact tracing, treatment, and follow-up for individuals in areas with high rates of disease.

Along with other parts of the Southeast, Mississippi has been experiencing a Hepatitis A outbreak. Hepatitis A can be spread through contaminated food, drinks, or through contact with another individual. Fortunately there is a vaccine that can prevent the disease and the spread of it. Therefore, this budget recommends additional funding for new nurses and purchase of vaccines to control the spread of Hepatitis A in Mississippi.

### Community-Based Mental Health Services

This budget calls for an additional \$1 million to be devoted to the Department of Mental Health (DMH) specifically to expand community-based services. DMH's Intensive Case Management programs and Program of Assertive Community Treatment Teams (PACT) are designed to help people who have serious mental illness remain in the community. In FY 2018, eight PACT teams were able to serve 384 patients. A level appropriation plus this additional funding will support 11 PACT teams operating throughout the state. DMH continues to move patients to community based services in an effort to allow citizens to live in the least restrictive environment appropriate for their care.

## OTHER ITEMS

### Special Session

In August I called a special session of the legislature, and during these historic five days members of the state house and senate passed legislation to infuse over \$1 billion into infrastructure over five years without raising taxes by using revenues from a newly-created state lottery, internet sales, sports betting, gaming bonds, and certain other fees. Legislation was also enacted to justly divide the BP economic damages between the lower six counties and the remainder of the state.

The Mississippi Infrastructure Modernization Act (MIMA) provides a steady stream of funding for current and future infrastructure needs. Revenue bonds in the amount of not to exceed \$300 million are authorized to be issued and the proceeds allocated as follows: up to \$250 million to the Emergency Road and Repair Fund and up to \$50 million to the Transportation; and Infrastructure Improvement Fund.

In order to equip cities and counties with money for their specific infrastructure needs, MIMA diverted 35 percent of the state's use tax collection—expected to increase as a result of a recent United State Supreme Court decision allowing taxes on internet sales—directly to cities, counties, and the Local System Bridge Replacement and Rehabilitation Program (LSBP). This will provide much needed year over year funding to the LSBP. To prevent the creation of a hole in the General Fund, the 35 percent allocation of the use tax will be phased in over four years. MIMA provides some

common sense flexibility, accountability, and guidance for the spending of these dollars by allowing the LSBP funds to be used on wider variety of projects and by creating the Emergency Road and Bridge Repair Fund Advisory Board. MIMA also establishes an annual fee for hybrid and electric vehicles that will be adjusted for inflation, so as electric vehicles become more common in years to come, their effect on roads will be accounted for.

The excess Environmental Protection Fee, which has been somewhat unanswered for after it reaches its statutory limit of \$10 million in the Groundwater Protection Trust Fund, will now be diverted to the State Highway Fund. However, once the Groundwater Protection Trust Fund is spent down to \$6 million, the fee will return to its original allocation in the Groundwater Protection Trust Fund.

Finally, MIMA provides that for a period of ten years, funds from sports betting will be dedicated to the State Highway Fund, for repair and maintenance of highways and bridges.

## Lottery

After many years of debate and demand from the public, the Legislature created the Mississippi Lottery during the special session. The lottery will be administered by the Mississippi Lottery Corporation Board of Directors. The Lottery Corporation is a quasi-governmental entity that is intended to operate like a private corporation. It will not receive any state appropriation and will operate on its own revenues including a line of credit.

The Corporation is charged with managing the lottery in a manner that will maximize revenue to the state, while also ensuring the integrity of the lottery and protecting the dignity of the state. The Lottery Corporation will be transparent and accountable to the people of Mississippi through the Mississippi Public Records Act, Open Meetings Act, Administrative Procedures Act, audits, and certain financial disclosures. The Board of Directors has been named and is beginning the process of setting up the lottery.

Until June 30, 2028, moneys deposited into the Lottery Proceeds Fund shall be paid into the State Highway Fund to provide funds to repair, renovate and maintain highways and bridges of the state. However, all such monies deposited into the Lottery Proceeds Fund over \$80 million in a fiscal year shall be transferred into the Education Enhancement Fund

for the purposes of funding the Early Childhood Learning Collaborative, the Classroom Supply Fund and/or other educational purposes.

## CONCLUSION

This budget is one that has the benefit of 2.6 percent growth behind it. For the first time in many years, we have been able to increase the budget of our agencies and programs without decrease any other agency budgets. I commend offices like those of the Secretary of State and Office of the State Auditor for trimming their own budgets, requesting less than they received last year.

While not able to fund all agencies at their request, this Executive Budget Recommendation highlights the needs in our state to keep our citizens and our communities both safe and prosperous. It will enhance our educational institutions, continue to reform our corrections and criminal justice systems, and increase the protection of our foster children.

While this budget could disperse funding across the board getting many agencies close to their budget request, it is important to distribute funding to where it can have the most impact. I look forward to working with the legislative leaders, the Revenue Estimating Committee, DFA, and other experts on a final budget for the state that will continue to move Mississippi forward.

## ADDITIONAL RESOURCES

Performance measurement data required by the Mississippi Performance Budget and Strategic Planning Act of 1994 may be found at [www.governorbryant.ms.gov](http://www.governorbryant.ms.gov).









